

PRESERVING AFFORDABILITY

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Department of Housing & Community Development

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JANUARY 5, 2023



Angela D. Alsobrooks
County Executive



Affordable Housing Production Goals

*Having a North Star....
By 2030:*



Support the **production of 26,000 new residential units, 75% of which would be committed as affordable** to households with income less than 120% of the area median.

Support the **preservation of 6,000 affordable** residential units.

Increase the number of new **multifamily construction** starts by 10,400.



PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT PLATFORM

JUNE 2021 – COUNTY EXECUTIVE ANGELA D. ALSOBROOKS

Experience Community.
Expand Opportunity.
Explore Choice.



COMPREHENSIVE HOUSING STRATEGY
HOUSING OPPORTUNITY FOR ALL

Prepared in partnership with Enterprise Community Partners, Inc.

MISSION

To support the creation and preservation of **healthy and inclusive communities where access to opportunity** for all County residents is increased.

DHCD supports **equitable economic growth** in the County by **creating and preserving quality** homes that both **current and future** County residents of all incomes can afford.

PRESERVATION

EXISTING COMMITTED AFFORDABLE HOUSING

Affordability covenants have **expiration dates**.

NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH)

Is a disappearing asset.

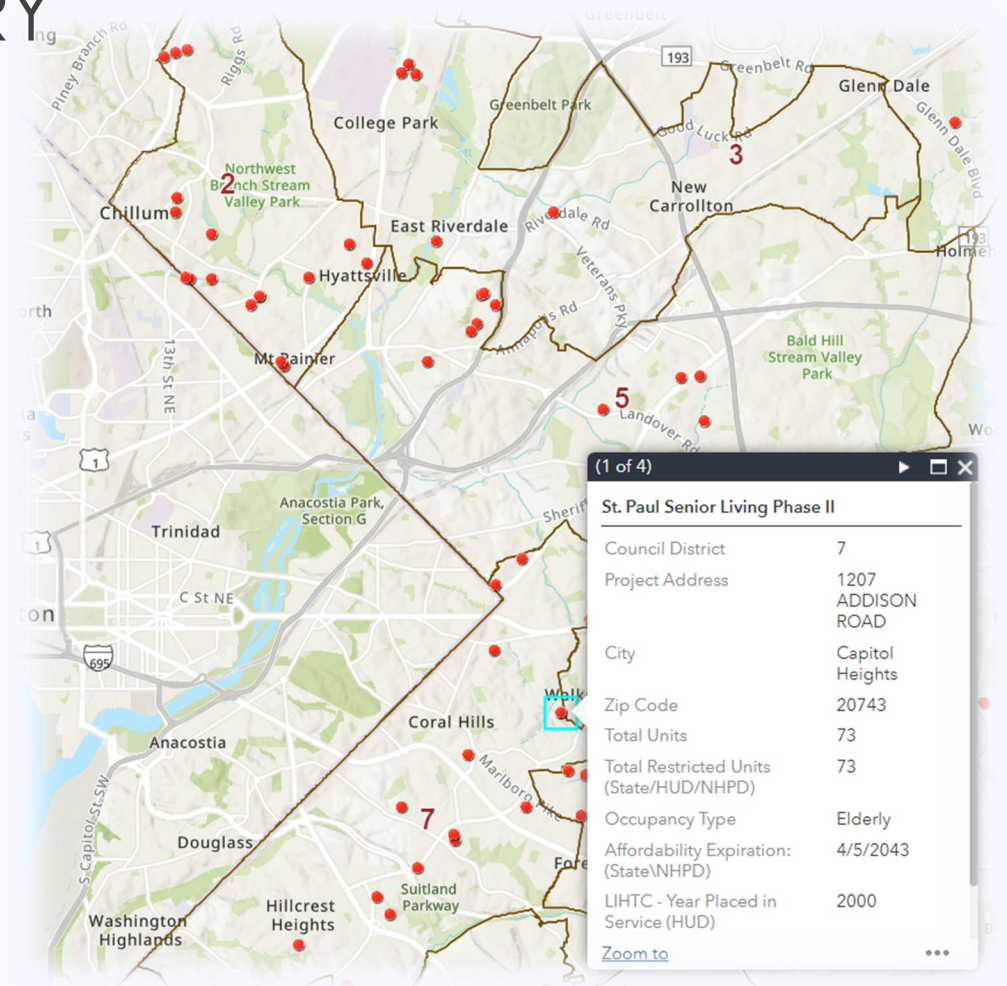
Between **2014 and 2019** the County's median rent increased by **7.4%**. In the last several years rent increases have accelerated. For example, **recent data indicates an additional 16.8% increase in rents since early 2019 in the Landover submarket, and 8.2% in Suburban Maryland as a whole.**

AFFORDABLE HOUSING INVENTORY

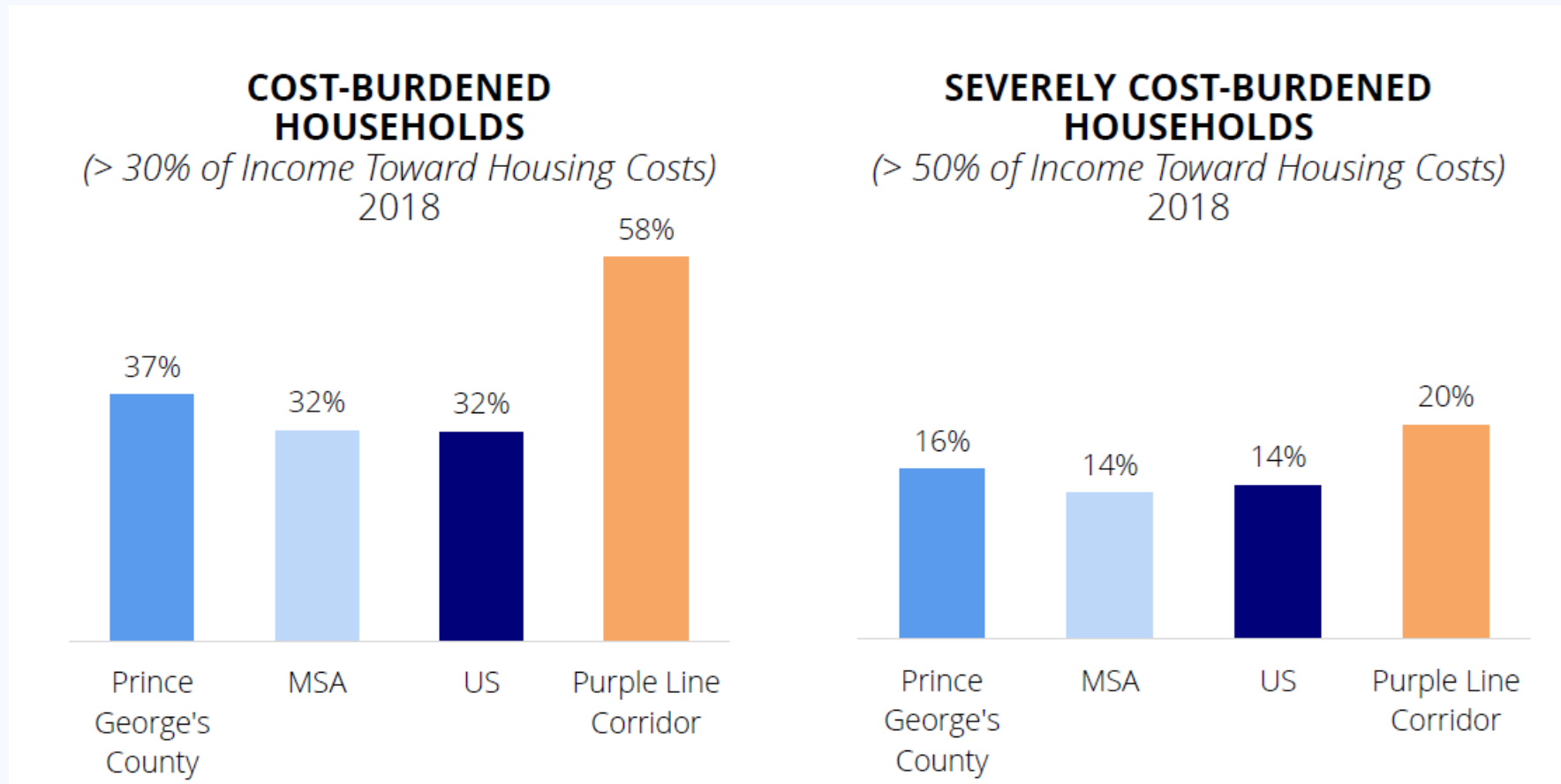
- **11,362** committed affordable multifamily rental units in Prince George's County
- **862** units are projected to have expiring affordability covenants **between 2022-2027**
- **3,119** units are projected to have expiring affordability covenants **between 2022-2032**

Updating the data set using the multiple sources is an ongoing effort.

<https://www.princegeorgescountymd.gov/4118/Inventory-of-Affordable-Housing-in-Princ>



AFFORDABLE HOUSING IN PRINCE GEORGE'S COUNTY



RIGHT OF FIRST REFUSAL (ROFR)

County Council Bill 27-2013 (Conversion of Rental Housing) **created the ROFR Program.**

Program is **overseen and implemented by DHCD** and detailed in **County Code 13-1110**

DHCD is authorized under the Code to exercise its ROFR rights and purchase multifamily rental properties with **20 or more units** in accordance with the timeframes and terms of the Code. DHCD assigns ROFR to third-party affordable housing developers.

DHCD has created a **programmatic structure** to systematically evaluate contracts of sale which are provided to the County under the ROFR Program.

Program website:

www.princegeorgescountymd.gov/984/Apartment-Multifamily-Rental-Owners

ROFR PROGRAM OVERVIEW

- DHCD is **authorized under the Prince George's County Code to exercise its ROFR rights** and purchase covered properties (or assign its rights to purchase the property to a third-party) in accordance with the timeframes and terms of the Code.
- Program was **“re-launched” on December 1, 2020**. Program website was updated to include current regulations and the ROFR Developer roster. <https://www.princegeorgescountymd.gov/984/Apartment-Multifamily-Rental-Owners-ROFR>
- DHCD uses a scoring system to evaluate ROFR opportunities. DHCD's “Yes/No” decision to exercise its ROFR is driven primarily by **existing rent affordability and geographic location**.
- Property Owners and prospective buyers may request that DHCD approve an **exception to the County's ROFR in accordance with Section 13-1114 of the Code**. An exception can only be approved by DHCD upon **execution of a Written Agreement between DHCD and the prospective buyer**. *Note: The Written Agreement for an exception must be executed prior to the Property Owner and the prospective buyer entering into a bona fide contract of sale.*

OVERVIEW OF THE ROFR PROCESS

- 1) Receipt and Review of Property Owner Notice and **ROFR Package** Days 1 thru 2
- 2) **DHCD Evaluation** of ROFR Package Days 1 thru 7
- 3) **RFP Issued** to ROFR Developers by DHCD (if ROFR exercised) Day 8
- 4) ROFR Developers Prepare **RFP Responses** Days 9 thru 23
- 5) **DHCD Reviews** RFP Responses and Selects ROFR Developer Days 24 thru 30
- 6) DHCD **Assigns ROFR Rights** to **Selected ROFR Developer** Day 31
- 7) DHCD **Notifies Property Owner** of ROFR Assignment Day 32
- 8) **Contract of Sale** Negotiation and Execution (ROFR Developer and Owner) Days 32 thru 60
- 9) **Settlement Process** (ROFR Rental and Regulatory Agreement recorded) Days 61 thru **180**

ROFR RFP

EMAIL NOTICE

Subject: ROFR RFP – Property Name – Property Location

ROFR Developers:

On behalf of the Prince George's County Department of Housing and Community Development, I am forwarding you this time-sensitive information regarding the Prince George's County Right of First Refusal Program (the ROFR Program).

On (insert date), the Prince George's County Department of Housing and Community Development (the Department) exercised its Right of First Refusal to purchase the above-referenced property. The Department received a complete package of information regarding this property from the Seller/Owner on (insert date), and the Department has made its determination within the mandated seven (7) business day timeframe.

As you will recall, the ROFR Program provides an opportunity for companies such as yours to potentially purchase multifamily rental properties within timeframes established under the County Code and Regulations. More information regarding this program (including a link to the Regulations) is at the following website: <https://www.princegeorgescountymd.gov/984/Apartment-Multifamily-Rental-Owners>

The attached one-page Excel file is a Request for Proposals (RFP) for ROFR Developers to complete and submit if interested in acting as an assignee of the Department's rights under the ROFR Program to potentially purchase this property. This email is being sent to your company since you have been pre-qualified for participation in the ROFR Program, and because the property meets size and purchase price criteria previously identified by your company.

If your company is interested in this opportunity, you must submit a response to this RFP by 5 p.m. on (insert date – 2 weeks). RFP responses should include a completed copy of the attached Excel spreadsheet with the Self Score column completed and Company Name at the top of the form. Any additional documentation that you deem appropriate should also be submitted. The RFP response should be submitted by email only to the following email addresses:

kkjones@co.pg.md.us

pawilson@co.pg.md.us

john@oculusconsult.com

The Department will review RFP responses and make a determination as to whether a respondent will receive an assignment of its ROFR rights by (insert date – 1 week after responses). The County Code and Regulations require that the selected ROFR Developer will need to enter into a Purchase and Sale Agreement with the Seller/Owner within 60 days of (insert date of complete ROFR package from Seller/Owner) and must proceed to settlement within 180 days of (insert date of complete ROFR package from Seller/Owner).

You will shortly be receiving a separate email with information on how to access a web-based Deal Room with due diligence documentation regarding the property. It is important that you maintain confidentiality of the information included in the Deal Room.

Thank you in advance for your interest in the ROFR Program.

DEVELOPER PROPOSAL SCORING PROTOCOL

Project Name:	
Project Address:	
Owner/Seller:	
Date Offer Received:	
Number of Units	
Contract Price	
Contract Price/Unit	#DIV/0!

ROFR DEVELOPER _____ INSERT COMPANY NAME _____

Notes:

Submit supporting documentation and comments as necessary
 If multiple responses have same score, lottery will be used as Tiebreaker.

RFP Issue Date: _____

RFP Responses Due: _____

Selection Criteria	Max Points	Self Score	Staff Score	Comments
1 Developer's Current Operational Capacity to Accept ROFR Assignment	10			
____ Developer Assessment of Capacity (up to 10 points)	10	_____	_____	
____ County Deductions Due to Developer Previous Performance (up to negative 10 points)	-10	_____	_____	
2 Financial Readiness of Developer to Acquire Property	20			
<i>Check ONLY ONE box that indicates status of Acquisition Financing</i>				
____ Documentation (*) Signed by Both Developer and Lender Indicating Financing Available	10	_____	_____	
____ Documentation (*) Unsigned or Signed by One Party Indicating Financing Available	5	_____	_____	
____ No Documentation of Financing Provided	0	_____	_____	
<i>Note: Documentation should include loan interest rate, term, amount, LTV, approval process that synchs with ROFR process</i>				
3 Rent Affordability Restrictions	40			
<i>Check ONLY ONE box that indicates commitment to rent affordability restrictions</i>				
____ > 60% of Units will be Rent-Restricted at 80% of AMI or below for at least 15 years	20	_____	_____	
____ 40% to 60% of Units will be Rent-Restricted at 80% of AMI or below for at least 15 years	15	_____	_____	
____ 30% to 40% of Units will be Rent-Restricted at 80% of AMI or below for at least 15 years	10	_____	_____	
____ 20% to 30% of Units will be Rent-Restricted at 80% of AMI or below for at least 15 years	5	_____	_____	
<i>Note: a minimum of 20% of units must be Rent-Restricted at 80% of AMI or below for at least 15 years</i>				
<i>Additional BONUS POINTS: Check all boxes that apply. Note: These units also count toward 80% AMI units above.</i>				
____ At least 10% of Units will be further Rent Restricted at 30% of AMI or below for at least 15 years	12	_____	_____	
____ At least 10% of Units will be further Rent Restricted at 40% of AMI or below for at least 15 years	5	_____	_____	
____ At least 10% of Units will be further Rent Restricted at 50% of AMI or below for at least 15 years	2	_____	_____	
____ At least 10% of Units will be further Rent Restricted at 60% of AMI or below for at least 15 years	1	_____	_____	
4 Developer Commitment to Limit Rent Increases	10			
<i>Check ONLY ONE box that indicates commitment to limit rent increase</i>				
____ Developer agrees to limit rent increases to greater of 2.0% or CPI per year for 10 years	10	_____	_____	
____ Developer agrees to limit rent increases to greater of 2.0% or CPI per year for 5 years	5	_____	_____	
____ No commitment to limitation on rent increases	0	_____	_____	
5 Need for County Financing or Assistance to Purchase Property	10			
<i>Check ONLY ONE box that indicates need (if any) for County assistance</i>				
____ Developer indicates a need for County assistance to purchase property	0	_____	_____	
____ Developer indicates no need for County assistance to purchase property	10	_____	_____	
6 County Priorities	10			
<i>Check ALL that apply:</i>				
____ County-Designated MBE has at least 20% ownership of purchasing entity	7	_____	_____	
____ Developer demonstrates an existing physical location or business activity in County	3	_____	_____	
TOTAL POINTS	100	0	0	

ROFR RFP

Scoring Form

ROFR Assignment



Angela D. Alsobrooks
County Executive

LETTER VIA EMAIL

Date

Name
Address
Email

RE: Property
Assignment of Right of First Refusal Rights

Dear:

Thank you for your recent response to the Request for Proposals ("RFP") issued by the Department of Housing and Community Development (the "Department") for the above-referenced property (the "Property"). The Department has finalized its review of the RFP response and has determined that, subject to your acceptance as indicated below, it will assign to _____ the Department's Right of First Refusal rights to purchase the Property in accordance with the provisions of Section 13-1119(b) of the Prince George's County Code (the "Code").

Upon your acceptance, the Department will issue notice to the Seller of the Property that _____ has been assigned the Department's ROFR rights, and that _____ will be in contact with the Seller to move forward with the property acquisition process in accordance with the terms of the Code.

Property Name
Date
Page 2

If you are in agreement with accepting the assignment of the Department's ROFR rights as detailed above, please countersign this letter and return a copy to the attention of Pamela Wilson, Housing Development Program Manager at pawilson@co.pg.md.us.

Sincerely,

Aspasia Xypolia
Director

Reviewed and Accepted

Signature

Date

Printed Name: _____

Title: _____

Organization: _____



ROFR OUTCOMES TO DATE (12/1/2020 – 12/31/2022)

A total of **55 properties with 15,222** units have been reviewed by the County under the Right of First Refusal Program.

The County has exercised or provided an exception to its Right of First Refusal for **30 properties** (25 properties for possible assignment and 5 properties for exceptions) with **8,336** units.

A total of **6 properties** with 2,144 units (**with 1,213 units restricted for affordability**) have been preserved under the ROFR program.



ROFR OUTCOMES – 1,213 UNITS PRESERVED TO DATE

- Restrictions are set based on existing rent roll / tenant profile
- Over 81% of units (988) – 60% AMI
- Balance at 50%, 70% and 80% of AMI

60% of AMI income per HH size



Income: Up to \$59,820



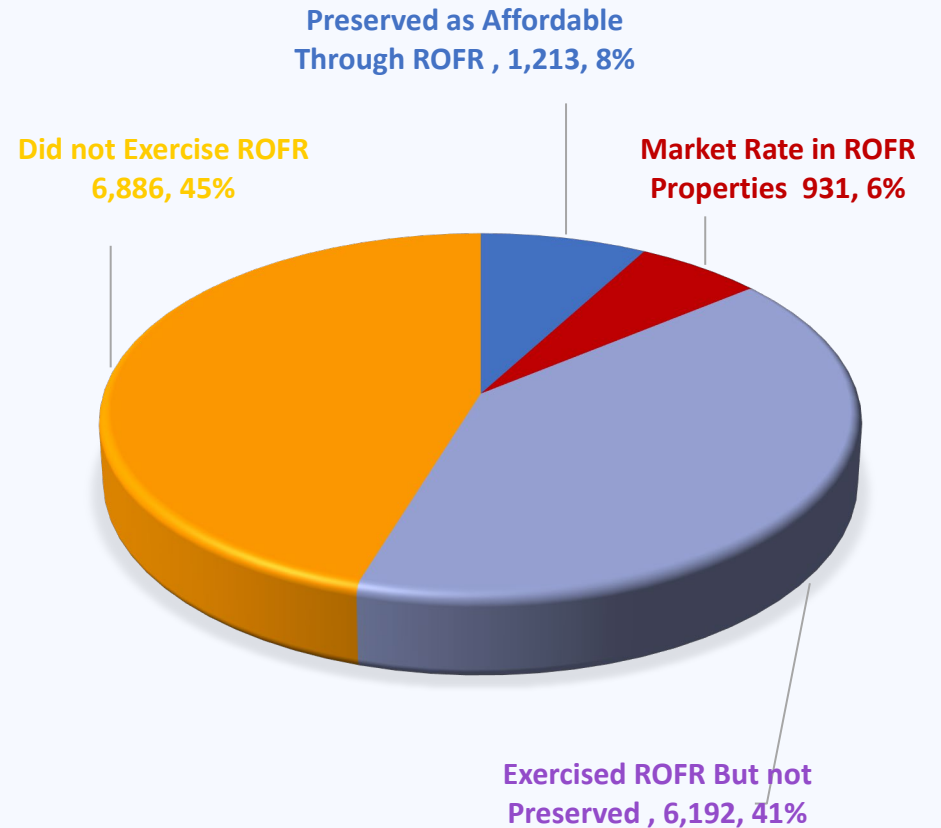
Income: Up to \$68,340



Income: Up to \$76,860

ROFR OUTCOMES (12/1/2020 – 12/31/2022)

- A total of **55 properties with 15,222** units have been reviewed by the County under the Right of First Refusal Program.
- The County has exercised or provided an exception to its Right of First Refusal for **30 properties** (25 properties for possible assignment and 5 properties for exceptions) with **8,336** units.
- As of 9/1/2022, the County has preserved affordability for **1,213 units of the 8,336** units it expressed an interest in, or **14.5%**.
- These 1,213 units represent **7.9% of all the units transacted** in the County (15,222) during the above-mentioned timeframe.



ALIGNING TOOLS AND RESOURCES

- **ROFR Preservation Loan Fund, Part 1** – **\$15 million from the County via Federal American Rescue Plan Act (ARPA)** to support acquisitions via ROFR was rolled out earlier this year. The first ROFR loan (\$7 million) closed in November 2022 for the Bedford and Victoria Station property. This tranche of funding is limited to properties located in Qualified Census Tracts (QCTs) as defined by HUD.
- **ROFR Preservation Loan Fund, Part 2** -- The County received an additional **\$10 million from the State of Maryland** to enhance the scope and reach of the Fund.
- **Real Estate PILOTs, Part 1** -- **State HB 1010** was passed in the **2021 State Legislative** Session to expand applicability for PILOTs to properties in the ROFR Program in Prince George's County. Several ROFR properties have received PILOTs since this law passed.
- **Real Estate PILOTs, Part 2** – **County Council Bill 087-2022: An Act Concerning Right of First Refusal PILOT Pre-Authorization** was passed recently. DHCD now has ability to provide up to **\$1.5 million per year** of PILOT authorization for ROFR properties on the **same timetable as an acquisition under ROFR**. DHCD must still provide Notice to County Council. This is not an entitlement; DHCD will target PILOT assistance to strategic properties that further its overall housing strategy.

LOOKING AHEAD

- **Develop dashboard to measure progress**
- **Accelerate Housing Production of committed affordable units**
- **Lower new rental units' price points (in some instances significantly)**
- **Support more opportunities for affordable homeownership**
- **Develop / enhance policies and programs to address redevelopment of NOAH properties**
- **Revisit inclusionary zoning opportunities**

Q&A

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